



### NORTH CAROLINA ECONOMIC OVERVIEW: JULY 2010

The state's labor market is showing early signs of a recovery. A decreasing unemployment rate and gains in total non-farm employment suggest North Carolinians face improved job prospects. These improvements, however, are tempered by the growth in the number of discouraged workers, announced business closings and layoffs, and an increase in the number of properties with foreclosure filings.

National and state data continue to paint a decidedly mixed picture of North Carolina's progress toward a full economic recovery. Most indicators still remain well below their pre-recessionary levels, but both state and national trends indicate that economic growth is occurring, albeit very slowly. The slow growth trend is of concern to economists who fear a "double-dip" recession if the recovery does not pick up speed.

KEY N.C. INDICATORS AT A GLANCE	
	<b>Unemployment rate</b> <b>10.0%</b> <i>Down 0.4 percentage points from May</i>
	<b>Total non-farm employment</b> <b>+0.1%</b> <i>5,100 jobs gained since May</i>
	<b>Properties with foreclosure filings</b> <b>+1.7%</b> <i>4,431 new filings in June; 4,357 in May</i>

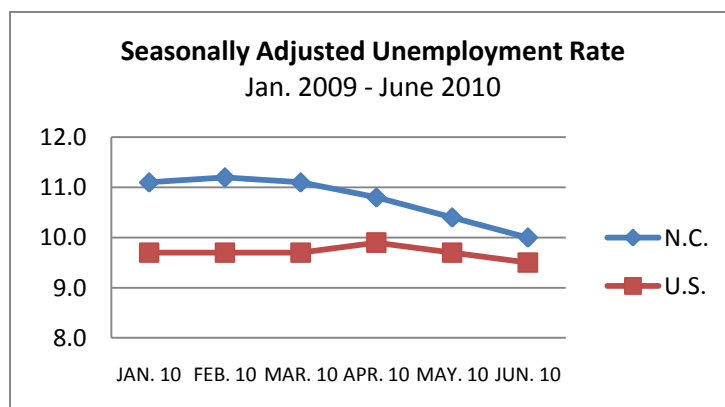
#### North Carolina's unemployment rate decreased to 10.0%; the number of employed workers also decreased

The number of employed workers decreased by 5,500 between May and June while the number of unemployed workers declined by almost 21,000, resulting in a 0.6% decrease in the size of the labor force. This trend is likely the result discouraged workers dropping out of the labor.

North Carolina Seasonally Adjusted Labor Force Statistics								
	May-10 (revised)	Jun-10 (preliminary)	Previous Month (6/10 compared to 5/10)		Last Year - Same Month (6/10 compared to 6/09)		Start of Recession (6/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Labor Force	4,570,061	4,544,036	(26,025)	-0.6%	(10,627)	-0.2%	(7,864)	-0.2%
Employed	4,095,438	4,089,881	(5,557)	-0.1%	36,938	0.9%	(238,517)	-5.5%
Unemployed	474,623	454,155	(20,468)	-4.3%	(47,565)	-9.5%	230,653	103.2%

N.C. Employment Security Commission, Labor Force Statistics

North Carolina's seasonally adjusted unemployment rate in June was 10.0%, down 0.4 percentage points from May. This decrease matches the decrease from last month, which was the largest month-over-month drop in the state's unemployment rate since the start of the recession. The state's unemployment rate is 1.0 percentage point lower than it was in June 2009, but 5.1 percentage points higher than it was at the start of the recession. The total number of unemployed workers has increased by 230,000 since December 2007. In June, the national unemployment rate was 9.5%, 0.2 percentage points lower than May. Since February North Carolina's unemployment rate has approached that of the U.S., shrinking from a 1.5 percentage point difference to a half of a percentage point.

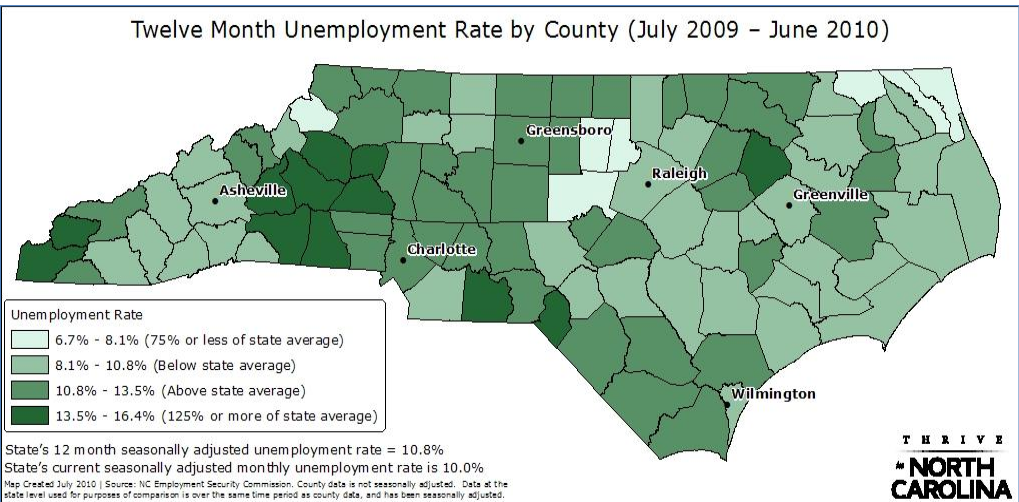


New initial claimants totaled 52,435 in June, an increase of 3,705 from May. The top five occupations of those claiming unemployment for the first time are: 1) Laborers and Freight, Stock, and Material Movers (hand); 2) Cashiers; 3) Truck Drivers, Heavy and Tractor-Trailer; 4) Production Workers, All Other; 5) Helpers of Production Workers. Nearly half (46%) of the workers in the top twenty occupations fall into two major occupational categories: Production and Transportation & Material Moving.

Unemployment rates in decline statewide and for most counties

Compared to last month, the same three counties had monthly non-seasonally adjusted unemployment rates above 14.0%: Scotland County (16.3%), Edgecombe (15.0%) and Rutherford (14.7%). While Currituck (4.8%) was the only county with a rate below 6.0%, Hyde (6.3%) and Orange (6.5%) had relatively low rates when compared to other counties throughout the state. Compared to the same month last year (June 2009), seven counties have unemployment rates that are higher, while 93 counties have rates that are lower or the same.

The 12-month average unemployment rate helps smooth out seasonally fluctuations. Currituck, Orange and Gates counties all had 12-month unemployment rates below 7.5%. Scotland, Edgecombe, Rutherford, Caldwell and Graham counties had 12-month rates exceeding 15.5%. The median 12-month county unemployment rate was 11.1%.



Both urban and rural counties have experienced decreases in their unemployment rates since last year. However, the reasons for their declines are different. The unemployment rate has declined in rural, less

County Type	Employment	Size of the labor force	Unemployment rate
Urban, more developed counties <sup>1</sup>	↑	↑	↓
Rural, less developed counties	↓	↓	↓

developed areas while at the same time the number of employed people and the size of the labor force also decreased. This suggests that the decline in the unemployment rate for rural, less developed counties in aggregate may be due to discourages workers dropping out of the workforce or out-migration. In contrast, urban areas, in aggregate, have

experienced a decline in the unemployment rate while also experiencing an increase in both the size of the labor force and in the number of people employed over the past year. This suggests that the decline in the unemployment rate in urban areas is due to employment growth. These trends hold whether analyzed from an urban-rural perspective, by 3J Tier classification, or by counties designated as metropolitan, micropolitan and non-core/rural.

<sup>1</sup> Definitions for grouping counties as urban and/or more developed, or rural and/or less developed were based on multiple criteria with the trend holding true across each methodology. Methodologies include The Rural Center’s Urban-Rural definition; an update to this methodology using 2008 data; 3J Tier classifications; and metropolitan, micropolitan, or non-core counties.

## Total non-farm employment increased; 4 of 11 industry sectors increased between May and June

Preliminary data suggest:

- North Carolina gained 5,100 nonfarm payroll jobs. Manufacturing, professional businesses & services, and leisure & hospitality experienced growth of more than 2,000 jobs since May.
- The large decrease in government employment is likely attributable to a combination of the end of temporary census workers, the expiration of some federal stimulus funds and public school teachers leaving jobs at the end of the school year.
- The manufacturing and leisure/hospitality sectors experienced the largest declines in employment last month; this month they experienced some of the largest gains.
- Since June 2009, the state has experienced an increase in employment of 29,800 jobs. Since the start of the recession, the state has lost 235,600 non-farm jobs. Manufacturing and construction remain the two sectors most marred by employment decline.

North Carolina Nonfarm Employment Trends by Supersector								
Sector	May-10 (revised)	Jun-10 (preliminary)	Previous Month (6/10 compared to 5/10)		Last Year - Same Month (6/10 compared to 6/09)		Start of Recession (6/10 compared to 12/07)	
			Change	% Change	Change	% Change	Change	% Change
Mining & Logging	6,200	6,200	0	0.0%	200	3.3%	(700)	-10.1%
Construction	173,000	171,400	(1,600)	-0.9%	(20,300)	-10.6%	(80,300)	-31.9%
Manufacturing	430,100	432,100	2,000	0.5%	(13,300)	-3.0%	(100,300)	-18.8%
Trade, Transportation, & Utilities	712,300	711,100	(1,200)	-0.2%	(9,700)	-1.3%	(69,000)	-8.8%
Information	69,400	69,300	(100)	-0.1%	(400)	-0.6%	(2,900)	-4.0%
Financial Activities	198,600	198,000	(600)	-0.3%	(2,900)	-1.4%	(14,200)	-6.7%
Professional & Business Services	472,800	478,500	5,700	1.2%	20,700	4.5%	(28,100)	-5.5%
Education & Health Services	553,300	552,700	(600)	-0.1%	10,700	2.0%	19,900	3.7%
Leisure & Hospitality	391,700	399,600	7,900	2.0%	6,100	1.6%	(5,500)	-1.4%
Other Services	163,300	163,400	100	0.1%	(1,500)	-0.9%	(12,100)	-6.9%
Government	758,100	751,600	(6,500)	-0.9%	40,200	5.7%	57,600	8.3%
<b>Total Nonfarm Employment</b>	<b>3,928,800</b>	<b>3,933,900</b>	<b>5,100</b>	<b>0.1%</b>	<b>29,800</b>	<b>0.8%</b>	<b>(235,600)</b>	<b>-5.7%</b>

U.S. Bureau of Labor Statistics, Economy at a Glance Data, Nonfarm Wage and Salary Employment

## The number of workers affected by closings and layoffs rose slightly, exceeding the 4-month average but below the 12-month average

The number of combined announced closings and layoffs decreased in June from May; however, the number of workers affected by these closings and layoffs increased slightly.<sup>2</sup> The current number of workers affected by closings and layoffs is higher than the 4-month average, but remains lower than the 12-month average.

Announced Business Closings and Layoffs in North Carolina				
	May-10 (revised)	Jun-10 (preliminary)	4 Month Average (Beg. of 3/10 - End of 6/10)	12 Month Average (Beg. of 7/09 - End of 6/10)
Announced Closings & Layoffs	74	58	75	87
Approximate # of Workers Affected	1,744	1,758	1,686	1,990

N.C. Employment Security Commission, Announced Business Closings and Permanent Layoffs Data

## Foreclosures, home sales, and building permits all increased.

Data from the North Carolina Association of Realtors reveal a 1.7% increase in foreclosures between May and June and a 39.6% increase from this time last year. In North Carolina there are approximately 32,000 foreclosure homes. One in every 948 housing units received a foreclosure filing in June, compared to one in

<sup>2</sup> These data are derived from a statewide survey of newspaper accounts of closings and layoffs and from information supplied to the Employment Security Commission of North Carolina by the employing units experiencing the closings/layoffs. These data are not all inclusive and do not meet the Labor Market Information Division standard for accuracy.

every 411 nationally. Mecklenburg County had the most foreclosure filings in May, followed by Wake and Guilford. Existing home sales increased from last month and last year by 4.3% and 16.6% respectively. New housing units authorized by building permits, an indicator of future construction, were up 9.7% from last month, but down 5.1% from a year ago.

North Carolina Housing Market Statistics						
	May-10 (revised)	Jun-10 (preliminary)	Previous Month (6/10 compared to 5/10)		Last Year - Same Month (6/10 compared to 6/09)	
			Change	% Change	Change	% Change
Properties with Foreclosure Filings	4,357	4,431	74	1.7%	1,256	39.6%
Existing Homes - Units Sold	9,115	9,505	390	4.3%	1,350	16.6%
Housing Units Auth. by Bldg. Permit	3,028	3,323	295	9.7%	(179)	-5.1%

RealtyTrac; N.C. Association of Realtors, Existing Homes Sales Data; U.S. Census, Table 2-New Privately Owned Housing Units Authorized

## NATIONAL ECONOMIC UPDATE: JULY 2010

### Labor Force:

- Total nonfarm employment declined by 125,000 in June. The decline in payroll employment reflected a decrease (-225,000) in the number of temporary employees working on Census 2010. Private-sector payroll employment edged up by 83,000.

### Gross Domestic Product:

- The US Department of Commerce released its second quarter GDP estimates. The US economy grew 2.4% in the second quarter; a substantial decrease from the first quarter's revised 3.7% growth. Most economists believe the economy's current rate of growth is not fast enough to reduce unemployment.

### Manufacturer's Shipments, Inventories and Orders:

- New orders for manufactured goods decreased 1.2% in June to \$406.4 billion. Shipments declined 0.8% to \$411.2 billion and inventories decreased 0.1% to \$520.0 billion.

### Personal Income & Consumer Spending:

- Real disposable income (DPI) rose 0.2% between May and June. Consumer spending rose 1.6% in the second quarter, down slightly from 1.9% in the first quarter.
- Because consumer spending accounts for 70% of GDP, prospects for an economic recovery rest on whether consumers can gain enough confidence to resume their normal spending habits amid fears over job security and falling stock and home values.

### Housing:

- Foreclosures increased in ¾ of the nation's largest metropolitan areas during the first half of 2010. More than 1.6 million properties were in some stage of foreclosure between January and June.
- New home sales rose 23.6% in June, rebounding from May's revised drop of 36.7%. Despite the increase, it was still the second-lowest sales rate on record.

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